

CUMBRIA PENSIONS COMMITTEE

Minutes of a Meeting of the Cumbria Pensions Committee held on Tuesday, 13 December 2022 at 9.30 am at Council Chamber - County Offices, Kendal, LA9 4RQ

PRESENT:

Mr MH Worth (Chair)

County Councillors

Mr NH Marriner (Vice-Chair)
Mr M Wilson

Mrs HF Carrick

District Council Representative

Mr J Mallinson

Employee Representatives

Mrs J Wear

Other Representatives:-

- Investment Advisor

Also in Attendance:-

- Ms A Clark - Senior Manager - Pensions and Financial Services (Deputy S151 Officer – Pensions)
- Ms P Duke - Director of Finance (Section 151)
- Mr P George - Group Finance Manager - Pensions, Investments and Insurance
- Ms A McGuinness - Finance Manager - Pensions Administration
- Ms D Purvis - Finance Manager - Pensions & Treasury
- Ms L Taylor - Finance Manager - Pensions Investments and Governance

PART 1 – ITEMS CONSIDERED IN THE PRESENCE OF THE PUBLIC AND PRESS

1 APOLOGIES FOR ABSENCE

Apologies for absence were received from Mrs D Burnet, Mr S Collins, Ms C Scott, Mr P Thornton, Mr P Turner and Mr C Whiteside.

2 TERMS OF REFERENCE AND MEMBERSHIP

The Terms of Reference of the Committee were noted.

Mrs H Carrick replaced Mr C Whiteside as a member of the Committee for this meeting only.

3 DISCLOSURES OF INTEREST

There were no disclosures of interest made at the meeting.

4 EXCLUSION OF PRESS AND PUBLIC

RESOLVED that, the press and public be excluded from the meeting during consideration of the following reports as they contain exempt information relating to the financial or business affairs of any particular person (including the authority holding that information) by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972:-

- Item 13 Half Year Update of the Pension Fund Budget 2022/23 (Part 2)
- Item 14 Monitoring Report for the Quarter Ended 30 September 2022 (Part 2)
- Item 15 Cumbria LGPS Investment Sub Group Activity Report to November 2022
- Item 16 Border to Coast Pensions Partnership Ltd (BCPP) – Shareholder Decisions Taken at the Annual General Meeting
- Item 17 Verbal Update – Emerging Issues
- Item 18 Closing Comments

5 MINUTES

RESOLVED that, the minutes of the meeting held on 13 September 2022 be approved as a correct record.

6 REPRESENTATION FROM NON COUNTY COUNCIL EMPLOYERS AND DISTRICT COUNCILS

There were no representations made at this meeting of Cumbria Pensions Committee.

7 SCHEDULE OF FUTURE MEETINGS

The Schedule of Future Meetings that had been published with the Agenda was noted.

8 MINUTES OF THE BCPP AGM ON 19 JULY 2022 AND THE JOINT COMMITTEE MEETING ON 29 SEPTEMBER 2022

The Minutes of the BCPP AGM on 19 July 2022 and the Joint Committee Meeting on 29 September 2022 were presented to the Committee.

The Chair advised that the resolutions at the 19 July meeting had all been carried unanimously.

The Vice Chair had attended the 29 September 2022 meeting and reported on the business conducted at the meeting. He commented on the lengthy debates that had taken place on the performance and activity of the BCPP Listed Equity Fund and Net Zero Implementation Plan.

A Member asked about constitutional arrangements for the Cumbria Pensions Fund associated with LGR.

The Director of Finance (Section 151 Officer) reported that the Shadow Authority's Constitutional arrangements for the Pensions Committee were yet to be determined, this included the Committee's membership. There was an intention to invite members who were interested in Pensions to attend training and attend the County Council's last Pensions Committee meeting in March 2023.

The Chair reported that Members of Westmorland and Furness Shadow Authority and Cumberland Shadow Authority had been invited to attend the Pensions Committee meetings.

RESOLVED that, the minutes of the Border to Coast Pension Partnership AGM meeting held on 19 July 2022 and the Joint Committee meeting on 29 September 2022 be noted.

9 UPDATE FROM THE CUMBRIA LGPS LOCAL PENSION BOARD

A report was considered from the Director of Finance (S151 Officer) regarding an Update from the Cumbria LGPS Local Pension Board. The report summarised matters discussed by; issues arising from; and any recommendations made by the Cumbria LGPS Local Pension Board (CLPB) at their recent quarterly meeting, held on 4 October 2022.

The Finance Manager - Pensions Investments and Governance talked members through the report. Members welcomed that the procurement process had commenced for a provider to train new members of the Board and Committee following Local Government Reorganisation. Members had also supported the inclusion of biodiversity loss on the Risk Register.

An update had been provided on the action plan arising from AON's review of the Fund's cyber security arrangements. An update from the Manager of LPPA had been received which related to the progress to implement a new Pensions Administration system. Reassurance had been given that there would be minimum disruption to those in need.

There were no questions from members and no debate on this item.

The Chair proposed acceptance of the recommendation as set out in the report to the Committee. It was,

RESOLVED, that the update from the Cumbria Local Pension Board be noted.

10 TRAINING UPDATE AND FUTURE PLANNED TRAINING

A report was considered from the Director of Finance (S151 Officer) regarding the Training Update and Future Planned Training. The report provided an update to Members of good progress to date against the training plan agreed at Committee in March 2022 as part of the Business Plan.

The Finance Manager - Pensions Investments and Governance talked members through the report. Themes within the Plan had been identified following a training needs assessment and these were supplemented with additional emerging topics. It was noted how the COVID 19 pandemic had changed delivery of training sessions: they were now in person and online and that where possible, officers endeavoured to provide training in house. The Finance Manager - Pensions Investments and Governance was pleased to report that good progress had been made on the delivery of the 2022-2023 Training Plan.

A Member queried if new Pensions Committee Members had been identified.

The Director of Finance (Section 151 Officer) explained the Committee appointments process for the two new councils adding that training for Pensions Committee would commence in February 2023 for those with an interest in the Committee. A Training Plan would be in place for April 2023 for formally appointed Pensions Committee Members which will be adapted during the year to reflect training needs.

A Member expressed her concerns about the risks involved in having new Members on the Committee as there would be a lack of continuity and it would take time to bring members up to speed. She was also concerned about the possible lack of understanding around historical decisions made by the Committee. She thought it would have been prudent to have potential Committee members at the current meetings to help with their understanding.

The Chair advised that new Members may have differing views to that of the current Committee but officers would be there to support them in their role.

The Director of Finance stated that training would be comprehensive for new members and acknowledged that there were challenges ahead following Local Government Reorganisation. This was acknowledged by the Chair and he expressed his great confidence in the officers.

A question was asked on how the new Pensions Committee would be constituted. The Director of Finance (Section 151 Officer) advised that legal advice was being sought as it was complex given that Westmorland and Furness Council would have an administering authority role. The Chair commented on the successes of how the

Pensions Committee had been constituted working well through numerous political balance changes over the years.

After referring to the statement of the Director of Finance (Section 151 Officer) regarding training for new members, a Member asked that it be made clear about the relationship between Council Plans and Plans for the Pension Fund

The Chair proposed acceptance of the recommendations as set out in the report to the Committee. It was,

RESOLVED, that progress towards the delivery of the 2022/23 Training Plan be noted.

11 MONITORING REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2022 - PART 1

A report was considered from the Director of Finance (S151 Officer) regarding the Monitoring Report for the Quarter Ended 30 September 2022 - Part 1. The report advised Members of any material risk, administration, investment performance, governance, and policy issues of the Fund for the quarter ending 30 September 2022. The report also identified any current governance issues and national regulatory changes and outlines the performance of the whole portfolio and estimated change of liabilities over the quarter to 30 September 2022.

The Group Finance Manager – Pensions, Investments and Insurance talked members through the report. Attention was drawn to the Risk Register. Climate Change had been added to the Register and biodiversity had been added as an emerging risk.

The risk score associated with loss of key personnel had been increased during the quarter to reflect the turnover expected within the Pensions Committee from the transfer of the Administering Authority to Westmorland & Furness Council from 1 April 2023. Other risks had been updated but no other risk scores had changed.

An update was provided on the disappointing results from LPPA (70% against a 95% target) and the three key drivers for the drop in performance were detailed for the Committee. It was noted that it had previously been agreed that due to a transfer between pensions administration systems within LPPA, performance targets would be relaxed for a period.

Four new employers were admitted into and one terminated from the Fund during the quarter increasing the total number of employers within the scheme to 130. It was highlighted that Cumbria Fire and Rescue Service transferring to the Police and Crime Commissioner from 1 April 2023 would not mean that it would have to apply to the Fund for admission as it had automatic membership as a Scheduled Employer.

It was reported that the Fund's assets had fallen in value to £3,118m at 30 September as the markets continued to experience economic and geopolitical

pressures but Members were reminded to focus on the long term performance of the Fund.

It was welcomed that the Fund had launched its own website with the Finance Manager – Pensions Administration being thanked for leading the team on its development. An update was provided on the 2022 Triennial Valuation and Members were thanked for attending the Fund’s Pensions Forum on 21 November 2022. Following an update on Shareholder Voting, Members were advised that voting records could be accessed Cumbria Pension Fund website.

With regard to legislation and regulatory changes, Members were advised that officers would update them on the McCloud Resolution and Exit Payment Cap once the information was available. The Finance Manager – Pensions, Investments and Governance was thanked for her work on drafting the response to the very technical Task Force on Climate – Related Financial Disclosures consultation. Members would be advised in due course on any implications of this for the Fund.

A member talked in detail about the impact of the cost of living crisis on scheme members’ ability to pay their bills including their pension contributions. The Chair acknowledged the difficulties of the cost of living crisis and added that as a Fund, it was imperative that it fulfilled its obligations to pay a pension as and when required. It was noted that the LGPS offers opportunities to scheme members such as the 50:50 scheme whereby contributions to (and benefits received from) the scheme are halved.

The Senior Manager - Pensions and Financial Services talked to Members about the Climate Change risk. She talked about the strategy of long term investment and that climate change presented not only significant investment risks but also potentially good investment opportunities.

A Member referred to the Pensions Administration Processes risk. She suggested that adding words to the Risk Register that there was ‘enhanced monitoring taking place’ would evidence and give assurance that officers were closely monitoring the performance of LPPA. After acknowledging the dip in LPPA’s performance, the Group Finance Manager - Pensions Investments and Insurance reported on a previous dip in LPPA’s performance and how it had recovered well. He added that he had confidence in LPPA’s long term performance and reassured Members that there were robust mechanisms in place to monitor its performance. The Director of Finance (Section 151 Officer) stated that the LGPS Pension Board would be asked to monitor LPPA’s performance over the next six months in order to give assurance to the Pensions Committee.

The Chair proposed acceptance of the recommendations as set out in the report to the Committee. It was,

RESOLVED, that the Committee:

- 1 Receives and note the performance and monitoring of the Fund for the period from 1 July 2022 to 30 September 2022;
- 2 Notes issues arising relating to the governance of the Fund.

- 3 Adds in 'enhanced monitoring taking place' into the Pensions Administration Processes risk on the Risk Register.
- 4 The LGPS Pension Board be asked to monitor LPPA's performance over the next six months.

12 HALF-YEAR UPDATE OF THE PENSION FUND BUSINESS PLAN AND ADMINISTRATION BUDGET 2022/23

A report was considered from the Director of Finance (S151 Officer) regarding the Half-Year Update of the Pension Fund Business Plan and Administration Budget 2022/23. The report advised Members of the progress towards the delivery of the 2022/23 Business Plan and the projected 2022/23 budget outturn for the Cumbria LGPS including variances against the budget.

The Senior Manager - Pensions and Financial Services talked members through the report. She was pleased to report that good progress had been made on the Business Plan to date with all aspects having been completed, were on target or were progressing towards completion. It was noted that the Fund had had to respond to unforeseen activities including the impact of preparations for Local Government Reorganisation on the Fund, officer workload and resources and also assessing whether any changes were required to the Fund's Investment Strategy in response to rapidly increasing inflation. It was also acknowledged that there will be a need to first provide detailed training to the new Pensions Committee and Board members.

A position statement was given on the 2022/23 budget which included a projected underspend for administering the Fund which related to Investment Management Fees. The staffing underspend was explained and it was reported that a new member of the Team had been appointed. Members were advised that the position statement was as accurate as possible given that it was only part way through the year.

There were no member questions and no debate on this item.

The Chair proposed acceptance of the recommendations as set out in the report to the Committee. It was,

RESOLVED, that the Committee:

- 1 Notes progress against the approved Business Plan.
- 2 Notes the 2022/23 half year projected outturn position against budget for the Cumbria LGPS and forecast underspend of £0.313m as at 30 September 2022

There was a fifteen minute recess commencing at 10.45am

13 HALF-YEAR UPDATE OF THE PENSION FUND BUDGET 2022/23 (PART 2)

A report was considered from the Director of Finance (S151 Officer) regarding the Half-Year Update of the Pension Fund Budget 2022/23 (Part 2). The report provided details of the Fund's investment management fees budget for 2022/23, which, due to their confidential nature, are not reported publicly. The 2022/23 approved budget for Investment management costs is £4.797m.

The Senior Manager - Pensions and Financial Services talked members through the report indicating the main driver of the underspend against budget was the reduction in the value of the Fund's assets during the period.

There were no questions from members and no debate on this item.

The Chair proposed acceptance of the recommendations as set out in the report to the Committee. It was,

RESOLVED that, the 2022/23 half year projected outturn position against budget for investment management fees be noted.

14 MONITORING REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2022 - PART 2

A report was considered from the Director of Finance (S151 Officer) regarding the Monitoring Report for the Quarter Ended 30 September 2022 - Part 2. The report advised Members of any matters that were considered to be Part 2 (due to the inclusion of exempt information relating to commercially sensitive matters of third parties including employers in the Fund, tax recovery cases, class actions and fraud cases), and therefore excluded from public disclosure, arising during the quarter ending 30 September 2022. These matters were generally in regard to either governance or employer issues.

The Finance Manager – Pensions talked members through the report and indicated that further to the earlier discussions regarding LPPA under performance against their targets; if the performance is not improving sufficiently then a representative from LPPA will be asked to report to the March Pensions Committee, in addition to the heightened level of scrutiny being applied by the Board.

There were no member questions or debate on this item.

The Chair proposed acceptance of the recommendations as set out in the report to the Committee. It was,

RESOLVED, that the report be received and the quarterly monitoring Part 2 items of the Fund for the period to 30 September 2022 be noted.

15 CUMBRIA LGPS INVESTMENT SUB GROUP ACTIVITY REPORT TO NOVEMBER 2022

A report was considered from the Director of Finance (S151 Officer) regarding the Cumbria LGOS Investment Sub Group Activity Report to November 2022. The report outlined the activities of the regular quarterly meeting of the Investment Sub

Group (ISG) meeting on 24 November 2022, including any decisions made by the Section 151 Officer and the proposed future work schedule in respect of the Investment Sub Group.

The Finance Manager – Pensions and Treasury talked members through the report including the review of the Fund's asset allocation against the strategy's target ranges and what re-balancing actions had been considered and actioned.

There were no Member questions or debate on this item.

The Investment Advisor talked about volatility in the equity markets.

The Chair thanked the Investment Advisors for their support to officers and the Committee. They were wished well for the future in supporting the Committee when it was hosted by Westmorland and Furness.

The Chair proposed acceptance of the recommendations as set out in the report to the Committee. It was,

RESOLVED, that the Committee:

- 1 Agrees that, in recognition of the impact of exceptional market volatility on its weighting within the portfolio, the maximum of the allocation range for private equity be temporarily increased to 12% (in place of 10%) and that the Fund's Investment Strategy Statement (ISS) be updated to reflect this temporary increase;
- 2 Notes the requirement for a Statement of Compliance to be submitted to the Competition and Markets Authority (CMA) in December 2022 and the related request for their feedback on the performance of the Independent Advisors.
- 3 Notes the activities of the Investment Sub Group from June to September 2022;
- 4 Notes the performance of the Fund over the quarter to 30 September 2022;
- 5 Agrees the proposed work programme of the Investment Sub Group for the next reporting period, including supporting the s151 Officer to continue planning and implementation of the changes required to enable the Fund to achieve the Target Investment Strategy, and also work associated with the development of Border to Coast Pensions Partnership's UK Commercial Property (Real Estate) proposition.

16 BORDER TO COAST PENSIONS PARTNERSHIP LTD (BCPP) - SHAREHOLDER DECISIONS TAKEN AT THE ANNUAL GENERAL MEETING

A report was considered from the Director of Finance (S151 Officer) regarding the Border To Coast Pensions Partnership Ltd (BCPP) - Shareholder Decisions Taken at the Annual General Meeting. The report asked the Pensions Committee to agree to a number of changes to Border to Coast Pensions Partnership's (BCPP)

governance arrangements. It also noted proposed changes to the BCPP Non-Executive Director fees.

The Senior Manager - Pensions and Financial Services talked members through the report.

There were no member questions or debate on this item.

The Chair proposed acceptance of the recommendations as set out in the report to the Committee. It was,

RESOLVED, that the Pensions Committee:

- 1 Notes the proposed changes to the Border to Coast Pensions Partnership Ltd (BCPP) Articles of Association and, as the Shareholder Resolution relating to these changes is expected to be issued outside the Committee cycle and cannot be reasonably deferred, agree that the Shareholder decision be delegated to the Director of Finance (s151 Officer) in consultation with the Chair of the Committee;
- 2 Notes the proposed changes to the Border to Coast Pensions Partnership Ltd (BCPP) Shareholder Agreement and Inter Authority Agreement and - subject to (a) there being no subsequent substantive changes to the documents and (b) the indemnity provisions in the Inter Authority Agreement being approved by appropriate officers - agree that the Director of Finance (s151 Officer) be authorised to sign both documents once finalised on behalf of Cumbria County Council as Administering Authority for Cumbria Pension Fund;
- 3 Notes the proposed changes to Border to Coast Pensions Partnership Ltd (BCPP) Non-Executive Director fees and, as the Shareholder Resolution relating to these changes is expected to be issued outside the Committee cycle and cannot be reasonably deferred, agree that the Shareholder decision be delegated to the Director of Finance (s151 Officer) in consultation with the Chair.

17 VERBAL UPDATE - EMERGING ISSUES

A verbal update was given by the Senior Manager – Pensions and Financial Services. She advised that the Team had been working on the Fund's Stewardship Report and sections of the previous year's report been recognised by the Financial Reporting Council (FRC) as being an example of good practice, and officers were thanked for their work on this matter.

RESOLVED, that the position be noted.

18 CLOSING COMMENTS

The Chair thanked Officers and Investment Advisors for the work undertaken over the past year. This was echoed by the Director of Finance (Section 151 Officer).

The meeting ended at 11.40 am

